

The EU-Mercosur Trade Agreement

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Photo: Brazil's Indigenous People Articulation (APIB), by If Not Us Then Who

What is it, and what could it mean for forests and human rights?

What is the EU-Mercosur trade Agreement?

In June 2019 the European Union (EU) and Mercosur (Brazil, Paraguay, Argentina and Uruguay) announced that they had reached an 'in principle' agreement¹ on the content of a bilateral trade agreement which they had been negotiating, on and off, for over 20 years. Most of the [text of the trade agreement is now public](#) in draft form, although some important annexes and the framing preamble are not available. This may be because they are still being worked out, behind closed doors.

There are 17 chapters in the trade agreement, several of which have annexes. The trade agreement is part of a broader Association Agreement, which covers three pillars: trade, cooperation and political dialogue. We understand that human rights issues are included in the political dialogue pillar, but only the trade part is presently publicly available.²

The trade agreement covers liberalisation of tariffs and removal of non-tariff barriers in most sectors over the next 10 to 15 years. The EU hopes to get easier market access for its exports, including machinery, agriculture, pharmaceuticals and financial services, and a chance to bid for public contracts that have previously been closed to foreign companies. Mercosur countries hope to get cheaper access to the EU market for some of its key agricultural and other products, and to make it easier for Mercosur companies to operate in the EU, including easier access to work visas.

What are Free Trade Agreements (FTAs) and how does the EU agree them?

FTAs are legally binding agreements between two (or more) countries to increase the trade in goods and services by reducing trade barriers, including quotas, tariffs and non-tariff barriers. The EU has agreed over 50 FTAs and is negotiating another 20.

Traditionally, the EU institutions (the Council and the Parliament) have agreed FTAs because they are considered to have sole competence (the right to take decisions and act) over trade matters. However, these conventional FTAs are being increasingly replaced by more broad-ranging agreements which cover a multitude of topics such as human rights, government procurement, sustainable development, trade facilitation, investment, intellectual property and more. Agreements that cover topics over which the EU does not have exclusive competence, must also be approved by the national (and sometimes regional) parliaments of each EU Member State.³

The EU can decide to separate the parts of an agreement over which it has competence from those parts which also need

to be approved by Member States' Parliaments. This was the case, for example, with the EU-Central America Agreement, the EU-Vietnam Agreement, and the EU-Canada FTA. This way, some parts of an agreement (those that the EU institutions can decide) can be brought into force, provisionally, before the other parts have been approved by national parliaments.

So far, the EU-Mercosur Association Agreement is being treated as a whole, so Member State parliaments will need to approve it (as well as the European Parliament and the European Council). But if the EU decides to separate the trade part, they could try to get it implemented, provisionally, before Member States have approved the political and cooperation parts.

On the Mercosur side, we understand that once a single Mercosur country ratifies the deal it can provisionally come into force for trade between the EU and that country, even if other Mercosur countries have not yet ratified the agreement.

1 <https://www.bbc.co.uk/news/world-europe-48807161>

2 EU-Mercosur Legislative train schedule: <https://www.europarl.europa.eu/legislative-train/theme-a-balanced-and-progressive-trade-policy-to-harness-globalisation/file-eu-mercrosur-association-agreement>

3 The European Court of Justice issued an opinion about the EU-Singapore FTA, declaring that the EU does not have exclusive competence (decision-making power) over investment and investor state dispute settlement mechanisms, and also listing a number of areas where the EU does have exclusive competence, including trade and sustainable development. This opinion helps to clarify things, but still leaves room for interpretation for example around human rights. See this factsheet on the ECJ opinion: https://trade.ec.europa.eu/doclib/docs/2017/september/tradoc_156035.pdf

The language around trade agreements is complicated. In this explainer we've tried to use straightforward language as much as possible, but some technical terms remain. For a glossary of terms and what they mean, visit www.fern.org/FTAexplainer

Forests and rights in the EU-Mercosur trade agreement

Forests and human rights are only mentioned in chapter 14, the trade and sustainable development (TSD) chapter. This chapter sits outside the overarching dispute settlement and enforcement mechanisms of the Agreement and includes its own enforcement mechanism. For more information see "monitoring and enforcement of the agreement."

What is the trade and sustainable development chapter of an FTA?

Since 2011, trade agreements with the EU have contained a chapter on trade and sustainable development (the TSD chapter). These chapters are supposed to help leverage the incentive of enhanced trade and investment, to improve environmental and labour standards.⁴ TSD chapters have three core elements – commitments by the parties, structures to involve civil society in monitoring implementation of these commitments, and a dispute settlement mechanism for when commitments are breached. The precise contents, structure, and functioning of each TSD varies from agreement to agreement.

Some of the key commitments within the EU-Mercosur TSD are:

- Both parties agree they will **not lower the legal protection for labour or environmental standards**, or stop enforcing those laws, to encourage trade or investment.
- Both parties agree to **respect, promote and effectively implement key International Labour Organisation (ILO) Conventions** on forced and child labour, non-discrimination at work, freedom of association and the right to collective bargaining.
- Both parties commit to effectively **implement the Paris Agreement** and to cooperate on the trade-climate change interface.
- Both parties agree to **respect multilateral environmental agreements** including the Convention on Illegal Trade in Endangered Species (CITES).
- Both parties agree to **take steps towards sustainable forest management and tackle illegal logging**, sustainable agriculture, sustainable management of fisheries, and sustainable supply chains.

⁴ European Commission non-paper, *Feedback and way forward on improving the implementation and enforcement of Trade and Sustainable Development chapters in EU Free Trade Agreements 2018* https://trade.ec.europa.eu/doclib/docs/2018/february/tradoc_156618.pdf

Many of these commitments are, however, written in vague terms, which makes it difficult to hold either party to account if they do not respect them. Forest provisions address illegal logging but not soy, beef or sugar grown on illegally deforested land. The EU Action Plan to halt deforestation and forest degradation⁵ calls for EU trade agreements to promote deforestation-free supply chains for agricultural products, but the clauses in this TSD do not go beyond promoting 'corporate social responsibility and 'responsible business conduct.'

If a State lowers its own legal environmental protections, this will not be considered to have violated the terms in the TSD **unless it can be shown that the goal of lowering the environmental protections was to encourage trade or investment**. This will be difficult to prove in practice.

The TSD chapter also affirms each party's right to apply the **precautionary principle** when there isn't enough scientific data to conclusively demonstrate that certain behaviour causes environmental harm or occupational health and safety hazards. The precautionary principle means parties can lawfully act as a precaution against potential harm, instead of having to wait until there is conclusive irrefutable proof of harm. Crucially, each party can only invoke the precautionary principle to protect against potential harm in its own territory – the TSD does **not** allow the right to take a 'just in case' approach for damage that might happen somewhere else in the world.

The TSD chapter does not explicitly deal with human rights as separate from labour rights, although there is a reference to obtaining the prior and informed consent of forest-based local communities and Indigenous Peoples in sustainable supply chains of timber and Non Timber Forest Products (NTFP).⁶ There are also references to numerous international standards that involve a human rights element including the Guiding Principles on Business and Human Rights, and the Organisation for Economic Cooperation and Development (OECD) guidelines for responsible business conduct. There may be commitments around human rights in the political part of the Association Agreement, but this text is not yet public and it's not clear if the political part of the agreement will come into force at the same time as the FTA.

⁵ [Protecting and restoring the world's forests: stepping up EU action to halt deforestation and forest degradation](https://ec.europa.eu/press/2019/07/23/190723_01_en.htm), EU communication, 23 July 2019

⁶ Article 8, 2(b) of the TSD chapter says: *promote, as appropriate and with their prior informed consent, the inclusion of forest-based local communities and indigenous peoples in sustainable supply chains of timber and non-timber forest products, as a means of enhancing their livelihoods and of promoting the conservation and sustainable use of forests*. There is also a reference to prior consent in relation to benefit sharing around genetic resources: https://trade.ec.europa.eu/doclib/docs/2019/july/tradoc_158166.%20Trade%20and%20Sustainable%20Development.pdf









What are the likely impacts of implementing the FTA on forests and rights?

The EU and Mercosur have spent 20 years negotiating this trade deal primarily because they hope that it will lead to easier, and therefore more, trade between the two blocs. There is strong evidence that an increase in trade has a negative impact on forests and forest communities,⁷ particularly when there are inadequate environmental and social safeguards in place. In Brazil, where the current government has been systematically dismantling such safeguards,⁸ there is good reason to be concerned.

Among the terms of the agreement are changes to the tariff rates (taxes applicable when importing or exporting a product) and quota volumes (a pre-defined amount of a product that can be imported at a specific tariff rate). Lowering tariffs on certain products and increasing quotas will obviously stimulate trade in these products (see Table 1: Present and proposed tariffs).



Photo: Brazil's Indigenous People Articulation (APIB) OR

Commodity	Current tariff regime	Regime under FTA
Beef: Fresh & chilled	12.8% + between €176.80 and €303.40/100kg.	7.5% tariff for 54,450 tonnes
Beef: Frozen	12.8% + between €141.40 and €304.10/100kg.	7.5% tariff for 44,550 tonnes
Beef: High quality fresh & frozen	In-quota tariff: 20%  Brazil: 10,000 tonnes,  Uruguay: 6,376 tonnes,  Argentina: 29,500 tonnes,  Paraguay : 1,000 tonnes	In-quota tariff: 0%
Pork	Between €46.7 and €151.2/100kg	25,000 tonnes at €83/tonne
Chicken	Between €18.7 and €102.4/100kg	0% tariff for 90,000 tonnes
Sugar for refining	 Brazil: Reduced tariff rate quota of €98/tonne for up to 334,054 tonnes (plus a special quota for the northeast of €11/tonne for 78,000 tonnes but rising over 8 years until it reaches €98. Other Mercosur countries: €33/tonne.	 Brazil: In-quota tariff = 0%.  Paraguay: New quota 10,000 tonnes at 0%. Otherwise remains as baseline.
Ethanol	Between €10.2 and €19.2/hectolitre	0% tariff for 450,000 tonnes, only for chemical use. 1/3 baseline tariff for 200,000 tonnes for any use (including fuel).
Oilseeds	Import tariff = 0%  Argentina: Export tariff of 18%	Tariff free, both import and export

This table has been compiled by combining information available about [current EU tariffs](#), the proposed new tariff schedules under the agreement, [published by the Government of Argentina](#), and additional information about quotas drawn from the [in-principle Agreement](#). No official tariff and quota schedule has been made public.

⁷ [Trade and Deforestation: What have we found?, WTO paper, 2010](https://www.fern.org/news-resources/does-trade-cause-deforestation-2004/) & <https://www.fern.org/news-resources/does-trade-cause-deforestation-2004/>

⁸ <https://www.fern.org/news-resources/beyond-belief-bolsonaro-appoints-evangelist-to-brazils-funai-2080/>

Changes to trading terms for forest risk commodities

Some of the goods featured in the trade agreement are well known to be the main drivers of deforestation in South America.

Beef



Three quarters of the beef that the EU imports comes from Mercosur countries, although imports only account for about 5 per cent of EU beef consumption.⁹ Beef production is the biggest agricultural driver of global forest loss in South America. According to one major study,¹⁰ between 1990 and 2005, 71 per cent of deforestation in South America was linked to cattle, compared with 14 per cent to planting crops. Furthermore, in Brazil, nearly 60 per cent of all recorded slave labour cases are linked to the cattle industry.¹¹

The trade agreement changes the rules around beef so that Brazil can export 10,000 tonnes of high quality beef to the EU tariff free (compared to the current 20 per cent tax rate), and across Mercosur an additional 99,000 tonnes of beef can be exported to the EU at a tariff of 7.5 per cent. Some argue that these changes won't stimulate an increase in production because the volumes are small in relation to the EU's current imports of Mercosur beef (which is around 200,000 tonnes annually), and Mercosur's overall beef production (11 million tonnes in Brazil alone).¹²

Soy



Over five million hectares of land in Brazil is used for growing soy, and the EU imports 35 million tonnes of soy each year, much of which comes from the USA. The EU doesn't apply tariffs on most soy imports, and the EU-Mercosur agreement doesn't change this. On the other hand, Argentina does apply an export tariff for soy¹³ leaving its territory. Under the trade deal, that charge will be scrapped for soy destined to the EU.

Sugar



Sugar has relatively high import tariffs to protect EU producers. Current sugar tariffs make it an expensive product to trade internationally (€339 per tonne for most Mercosur countries, although the picture is more complicated and less expensive for some sugar coming from Brazil.)¹⁴ Hence, the EU is currently only importing relatively small volumes of sugar from Mercosur, even though Brazil is the world's largest sugar exporter. The terms of the FTA could change this significantly. Paraguay will be able to export 10,000 tonnes to the EU duty free, for Brazil it's 180,000 tonnes duty free. This is just over 1 per cent of the EU's current annual sugar production.¹⁵ Much of the EU sugar industry is critical of the deal.¹⁶ Meanwhile the Bolsonaro government has repealed the Sugarcane Agroecological Zoning regulation, which prohibited planting sugarcane in areas of natural vegetation.¹⁷

Bioethanol



As well as producing sugar for use in foodstuffs, Brazil also converts huge quantities of sugar cane into bioethanol. Brazil and the USA together account for 85 per cent of global production of bioethanol, which is currently imported to the EU with a tariff of between €10 and €19 per hectolitre. Under the EU-Mercosur agreement, 450,000 tonnes of bioethanol for use in the chemical industry will be allowed to enter duty free, and an additional 200,000 tonnes will have duty cut to 1/3 of current levels.

At first glance, it therefore looks like the agreement may not have a significant direct impact on deforestation linked to cattle or soy production, but it may be impacted by increased sugar and ethanol production. Fern and AMAZON are currently assessing the likely land use impacts in a study that is expected to become available in 2020. Assessing potential trade impacts on forests or human rights is difficult and made more difficult because there are elements of the deal that remain unpublished. The interim report of the sustainability impact assessment (SIA) commissioned by the EU only briefly analyses the likely impacts on the environment and Indigenous Peoples' rights, and does not rely on the most recent data.¹⁸ The final SIA has still not been published, even though in 2016 the EU Ombudsman ruled that trade deals should only be agreed *after* an SIA has been completed.¹⁹

9 https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/farming/documents/beef-veal-market-situation_en.pdf

10 V. De Sy et al, Land use patterns and related carbon losses following deforestation in South America, 2015, Environ. Res. Lett 124004: <http://iopscience.iop.org/article/10.1088/1748-9326/10/12/124004/meta>

11 <https://www.iatp.org/documents/rise-big-meat-brazils-extractive-industry-executive-summary>

12 https://trade.ec.europa.eu/doclib/docs/2019/july/tradoc_158059.pdf

13 Already has increased this tariff since new government came in.

14 For Brazil: reduced tariff rate quota of €98/tonne for up to 334,054 tonnes, plus a special quota for sugar from the northeast (as part of a WTO dispute resolution following Croatia's entry to the EU), set at €11/tonne for 78,000 tonnes but set to rise over 8 years until it reaches €98. Other Mercosur countries: €339/tonne.

15 https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/farming/documents/sugar-trade-statistics_en.pdf

16 For example: <https://www.mintecglobal.com/top-stories/eu-mercator-deal-what-does-it-mean-for-the-eu-sugar-industry>

17 <https://www.wwf.org.br/informacoes/english/?uNewsID=73863>

18 LSE, Final interim report of the EU-Mercosur Agreement's Sustainability Impact Assessment, February 2020

19 <https://www.ombudsman.europa.eu/en/opening-summary/en/54682>

Threats beyond forest risk commodities

Deforestation rates increase where safeguards are weak and pressure for land, expansion and acquisition are on the increase. It is therefore important to think about how the EU-Mercosur Agreement is likely to impact the overall context, beyond specific tariff changes for single forest risk commodities.

A significant portion of the EU-Mercosur agreement is dedicated to liberalising services, including financial services. The detailed annexes for these arrangements haven't yet been published, but in broad terms the agreement seeks to make it easier for EU service companies to operate and facilitate investment in Mercosur countries, and vice-versa. The role of EU banks and investors in financing deforestation is well documented,²⁰ and making it easier for these actors to operate in Mercosur countries could increase the threat to forests and communities' land.

The EU has made numerous commitments to halt deforestation and respect human rights.²¹ It cannot meet these commitments unless it only enters trade deals that will protect forests and respect peoples' rights.

The EU is the world's largest economy and a major market for Mercosur agricultural products. If Mercosur companies make operational changes to ensure access to EU markets, these changes are likely to also apply for goods destined to other markets, because maintaining multiple differentiated production systems is inefficient and complicated. EU market requirements therefore have the potential to influence production in Mercosur countries beyond its own narrow market share.

Trade between the EU and Mercosur has decreased in percentage terms as trade between Mercosur and China has increased.²² But market signals coming from the EU can stimulate a positive response in other importing countries, as it has done with its Forest Law Enforcement Governance and Trade (FLEGT) Action Plan to tackle illegal logging. Not only has FLEGT helped reduce illegal logging,²³ China has now also amended its Forest Law to prohibit buying illegally sourced timber. This is hugely significant and shows that EU action can incentivise the right response in China.

Although some EU Member States have raised concerns about the likely negative impacts on forests and peoples in Mercosur countries, some of the most outspoken Member States also fear the negative impact the agreement could have on their own farmers' production of agricultural communities.²⁴

Monitoring and enforcement of the agreement

The final chapter of the agreement sets out an enforcement and grievance mechanism, which each party can use to raise and settle disputes about implementation and application. This structure allows for sanctions in the form of increased tariffs when a grievance is found to be justified. Chapter 4 outlines the kinds of sanctions that are permissible both within the context of the agreement and when there is behaviour considered unfair under World Trade Organisation (WTO) rules. Sanctions are quite regularly applied in the case of dumping (suddenly placing large amounts of a product on the market, usually at a low cost), for example.

The TSD chapter is excluded from the main grievance mechanism. It includes provisions for a separate monitoring system, which is essentially centred around Domestic Advisory Groups (DAGs) that each party must establish within a year of the agreement entering into force. In the EU-Mercosur Agreement details about the structure and functioning of the DAGs are not included in the TSD chapter, although we understand these are covered in the political pillar and state that membership of a DAG should comprise independent representative civil society organisations, with balanced representation of economic, social and environmental stakeholders. Currently the results of the DAGs' monitoring activities can trigger an investigation but cannot trigger concrete corrective measures such as those allowed within the broader dispute mechanism described above.

Traditionally, DAGs have only been empowered to monitor implementation of the TSD chapter. But in its second 'non-paper',²⁵ DG Trade proposes to increase the scope of the DAGs' advice to cover implementation of the full agreement and this is already the practice in the EU-Korea FTA. The non-paper specifically references applying this approach with the EU-Mercosur Agreement, although it is not clear whether this proposal will become a reality.

For more about the functioning of DAGs and proposals for reforms, see Fern's report [Forests in EU FTAs](#).²⁶

20 See Fern's report Financing land grabs and deforestation <https://www.fern.org/news-resources/financing-land-grabs-and-deforestation-the-role-of-eu-banks-and-investors-357/>

21 As detailed in Fern's report Forests and forest people in EU Trade Agreements: <https://www.fern.org/fileadmin/uploads/fern/Documents/2018/Fern-Forests-in-EU-FTAs-report.pdf>

22 Baltensperger M and Dadush U, The European Union-Mercosur Free Trade Agreement: prospects and risks in *Bruegel Policy contribution* Issue 11, September 2019 https://www.bruegel.org/wp-content/uploads/2019/09/PC-11_2019.pdf

23 See for instance, Hoare A, *Tackling illegal logging and the related trade What progress and where next?*, Chatham House Report July 2015 <https://www.chathamhouse.org/sites/default/files/publications/research/20150715IllegalLoggingHoareFinal.pdf>

24 *EU farm chief struggles to dispel concerns over Mercosur trade deal* <https://www.euractiv.com/section/agriculture-food/news/eu-farm-chief-struggles-to-dispel-concerns-over-merc-sur-trade-deal/>

25 European Commission non-paper, *Feedback and way forward on improving the implementation and enforcement of Trade and Sustainable Development chapters in EU Free Trade Agreements 2018* https://trade.ec.europa.eu/doclib/docs/2018/february/tradoc_156618.pdf

26 <https://www.fern.org/fileadmin/uploads/fern/Documents/2018/Fern-Forests-in-EU-FTAs-report.pdf>



Workers on a sugar cane field eating their lunch in Brazil. The country is the largest producer of sugar and ethanol fuel made out of sugar cane. Photo: © Werner Rudhart / Greenpeace

Next steps – massive mobilisation is needed to put environment and human rights at the heart of this trade deal

The main shape of the EU-Mercosur FTA has already been agreed, though the parties are working out some details. There are a number of steps before implementation, each presenting its own political moment. If and when the agreement enters into force, there are also steps for creating the monitoring mechanisms.

Liberalisation of trade in goods and services generally has a negative effect on forests and forest communities.²⁷ The EU is already complicit in the ongoing destruction of the forests and native vegetation in Mercosur countries because it imports Argentinian and Brazilian beef and soy tainted with deforestation, even without a trade deal. EU Member States have been slow to condemn the recent escalation in human rights violations, assassinations of Indigenous leaders, and the systematic deconstruction of human rights and Indigenous rights protections in Brazil. Scrapping the deal on environmental and human rights grounds would send an important political signal. But it would not, on its own, stop unsustainable EU-Mercosur trade, nor halt forest destruction or human rights violations, nor end the EU's complicity.

Trade incentives can sometimes be used to improve governance so that there is greater respect for human rights and reduced (illegal) deforestation. Bilateral timber trade deals called Voluntary Partnership Agreements have, in some instances, paved the way for the development of participatory decision-making structures, positive legal reforms, increased transparency and greater recognition of community land rights.²⁸ In these cases, the lure of preferential trade with the EU has been an important factor of success. But for this to work there needs to be at least a degree of political will, which may well be lacking both in the EU and in Brazil.

Addressing climate change, keeping forests standing and respecting people can only happen if trade is carried out in a way that promotes deforestation free supply chains and respects community and Indigenous Peoples' rights and priorities. The EU-Mercosur agreement is far from reaching that standard.

In an [open letter](#) published last June 2019, over 340 civil society organisations demanded that the EU immediately halt free trade agreement negotiations with the Mercosur bloc on the grounds of deteriorating human rights and environmental conditions in Brazil.²⁹ Seventeen Members of the European Parliament, on behalf of these organisations, submitted a petition to the Commission calling for an immediate halt to the negotiations on the EU-Mercosur free trade.³⁰ In parallel, some Members States have expressed concerns around this trade deal.³¹

Despite all these initiatives, the Commission and most EU Member States maintain business as usual and want us to believe the deal will contribute to environmental protection and the respect of human rights.

Voices from potentially affected peoples in Mercosur countries, communities and Indigenous Peoples haven't been sufficiently heard in this debate. A massive mobilisation of civil society is needed both in the EU and Mercosur countries to alert decision makers and the public on the risks posed by the EU-Mercosur Agreement and reshape the deal to place the environment and human rights at the heart of trade policies.

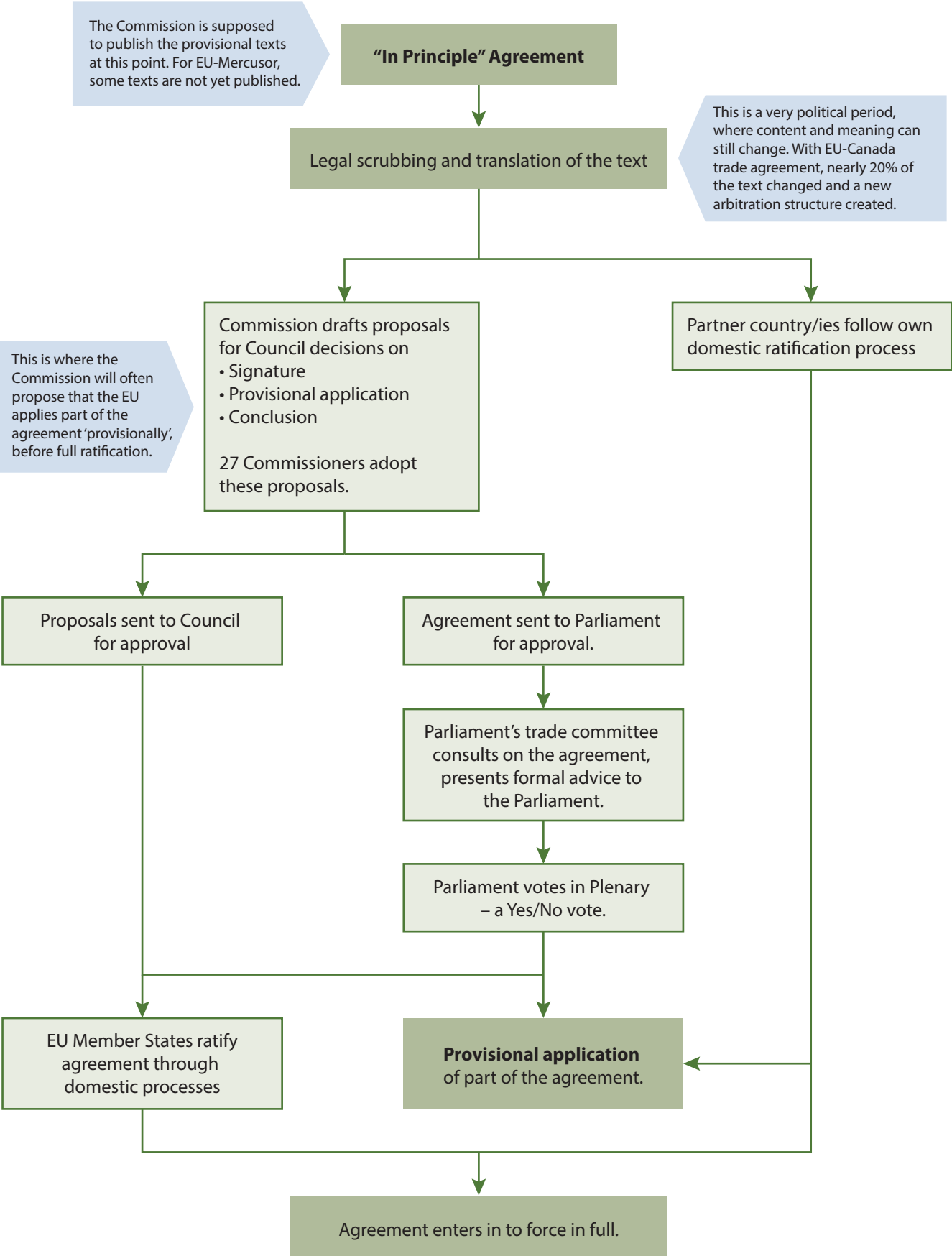
²⁷ See footnote 7 and Fern's report on [Forests and Forest people in EU Free Trade Agreements](#), 2018
²⁸ <https://www.fern.org/news-resources/do-flegt-vpas-improve-governance-393/>

²⁹ <https://www.fern.org/news-resources/340-organisations-call-on-the-eu-to-immediately-halt-trade-negotiations-with-brazil-1980/>

³⁰ <https://petitport.secure.europarl.europa.eu/petitions/en/petition/content/0745%252F2019/html/Petition-Nr.%25C2%25A00745%252F2019%252C-eingereicht-von-M.%25C2%25A0R.%25C2%25A0%252C-deutscher-Staatsangeh%25C3%25B6rigkeit%252C-im-Namen-von-340-Organisationen%252C-zu-dem-Freihandelsabkommen-zwischen-d>

³¹ <https://www.euractiv.com/section/energy-environment/news/ireland-threatens-to-vote-against-eu-merc-sour-deal/>; <https://www.theguardian.com/world/2019/sep/19/austria-rejects-eu-merc-sour-trade-deal-over-amazon-fires>; <https://www.brusselstimes.com/all-news/eu-affairs/93770/wallonia-votes-against-eu-trade-pact-with-merc-sour-countries-brazil-argentina-uruguay-paraguay-agriculture-environment/>

The path to implementation for the EU-Mercosur Association Agreement



The EU-Mercosur Agreement Trade pillar – structure and contents

	Title	What does it cover, what does it change?
1	Trade in Goods	Mercosur will fully liberalise 91% of its imports from the EU over a period of up to 10 years, or 15 years for the most sensitive products. The EU will liberalise 92% of its imports from Mercosur over a period of 10 years.
2	Rules of Origin	Sets out when products can be considered to originate from the EU or Mercosur, including when parts of those products originate from elsewhere.
3	Customs and trade facilitation	A set of rules and procedures for dealing with customs, with an emphasis on transparency, consultation with business, and speeding up processes.
4	Trade remedies	Describes permissible measures to tackle 'unfair' trade practices and unexpected shocks to the trade environment. Covers existing WTO trade defence instruments (anti-dumping, anti-subsidy and global safeguards), and also bilateral measures.
5	Sanitary and Phytosanitary Measures	Mechanisms to facilitate trade while implementing sanitary & phytosanitary measures to protect human, plant and animal health. EU domestic standards will not be relaxed in any way.
6	Dialogues	Bilateral and international cooperation on areas of animal welfare, biotechnology, food safety and fight against antimicrobial resistance (AMR)
7	Technical barriers to trade	Deals with non-tariff barriers to trade - framework for more convergence on technical regulations and standards.
8	Services and establishment	Rules for companies providing services. The chapter makes it easier for European companies to provide services in Mercosur countries, and vice-versa.
9	Public procurement	Will make it easier for European firms to bid for and win government contracts, becoming the first non-Mercosur companies able to compete for contracts for goods, services, and works purchased by public entities at the federal/central level. And vice-versa.
10	Competition	Rules around antitrust and mergers, both sides commit to maintaining competition laws, including existence of competition authorities.
11	Subsidies	Agreement stipulates that subsidies may be necessary to achieve public policy objectives, but they can also distort markets. Establishes a cooperation mechanism to enable further work and exchange of information on transparency and subsidy control systems.
12	State-owned Enterprises	Sets out binding rules on the behaviour of certain state-owned enterprises – requiring their buying and selling decisions to be commercially motivated. Does not apply to meeting public service obligations.
13	Intellectual property rights, including Geographic Indications	Will establish a structured bilateral framework with clear legal commitments and opportunities to discuss issues relating to intellectual property rights including geographic indications, in detail.
14	Trade and sustainable development	An aspirational chapter, it sets out (unenforceable) commitments to ensure that increased trade does not threaten sustainable development.
15	Transparency	Parties confirm objective to promote a transparent and predictable regulatory environment. Provisions on publication, administration, review and appeal of measures related to trade matters.
16	Small, medium-sized Enterprises	Provisions on information sharing, with each party providing a specific website with information relevant to SMEs seeking to access the market.
17	Dispute settlement	Either party can resort to the dispute settlement mechanism if it considers that the other party has failed to comply with one or more obligations under the trade part of the agreement (not TSD chapter). Others can also make submissions. Panel's report is final – subject to no appeal – and binding on the parties. Complainant can put in place counter-measures if the infringing party fails to comply with the panel's report.